

Message Text

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TAGS: EINV, EGEN, RP, US

SUBJECT: PATERNO ANNOUNCEMENT ON DOMESTIC CREDIT AT AMCHAM
MEETING

REF: MANILA 6877

SUMMARY: SECRETARY PATERNO SPOKE ON THE NNED OF MULTI-NATIONALS "TO HAVE A HEART" AT THE QUARTERLY MEETING OF THE AMERICAN CHAMBER OF COMMERCE ON MAY 20, BUT HIS MOST IMPORTANT MESSAGE WAS IN REPLY TO A QUESTION FROM THE AUDIENCE REGARDING DOMESTIC BORROWINGS BY FOREIGN COMPANIES. PATERNO STATED THAT THE MONETARY BOARD HAS SHELVED THE IDEA OF REGULATIONS LIMITING SUCH BORROWINGS AND IS LOOKING INTO THE POSSIBILITY OF "GUIDELINES."

1. IN REPLY TO A QUESTION ON ACCESS TO DOMESTIC CREDIT BY FOREIGN COMPANIES (REFTEL) AFTER HIS TALK ON MULTI-NATIONALS TO THE QUARTERLY MEETING OF THE AMERICAN CHAMBER ON MAY 20, SECRETARY OF INDUSTRY AND BOI CHAIRMAN VICENTE PATERNO ANNOUNCED -- COMPLETELY OFF-THE-RECORD -- THAT THE MONETARY BOARD HAS CONCLUDED IT WAS IMPOSSIBLE TO FORMULATE REGULATIONS WHICH WOULD TAKE INTO CONSIDERATION THE WIDELY DIVERGENT CIRCUMSTANCES OF INDIVIDUAL COMPANIES AND DIFFERENT INDUSTRIES SO AS TO OBTAIN ANY HARDSHIP OR INEQUITY. THE LIMITED OFFICIAL USE

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MONETARY BOARD THEREFORE DECIDED THAT GUIDELINES, RATHER THAN REGULATIONS, BE ESTABLISHED SO AS TO INSURE IN SOME WAY A PROPORTIONATE RELATIONSHIP BETWEEN DOMESTIC BORROWINGS AND EQUITY. ONE IDEA WAS TO HAVE A COMMITTEE (CENTRAL BANK/ FINANCE) GIVE A CERTIFICATION TO A MULTINATIONAL AS TO ITS MAXIMUM PERMISSIBLE LIMIT OF DOMESTIC BORROWING. PATERNO ADDED THAT HE HAD PROPOSED AN APPEALS PROCEDURE FOLLOWING THE

ORIGINAL CERTIFICATION BY WHICH COMMERCIAL BANKS WOULD BE GUIDED.

2. COMMENT: THE MONETARY BOARD'S DECISION WILL NOT SIT WELL WITH CERTAIN ELEMENTS IN THE PHILIPPINE BUSINESS COMMUNITY WHO EXPECT SOME ACTION FROM THE GOP WHICH HAS COMMITTED ITSELF PUBLICLY TO LIMITING DOMESTIC BORROWINGS BY MULTINATIONALS. MOREOVER, THE MONETARY BOARD WILL LIKELY FIND INDIVIDUAL CERTIFICATIONS DIFFICULT AND BOTHERSOME. FINALLY, THE ORIGINAL CONCERN IN LIMITING MULTINATIONALS HAS NOW BEEN REPLACED BY AN APPRECIATION FOR THE NEED FOR FOREIGN EXCHANGE EARNINGS AND THE POSSIBILITY OF FRIGHTENING AWAY FOREIGN INVESTMENTS. IN ANY CASE, THE EXERCISE WILL IN ONE WAY OR ANOTHER HAVE ITS INFLUENCE ON THOSE UNDERCAPITALIZED FOREIGN COMPANIES WHICH THE BOI WANTS TO BRING IN ADDITIONAL CAPITAL.

3. PATERNO'S SPEECH ON THE MULTINATIONALS, A SUBJECT WHICH HE NOTED WAS SUGGESTED BY THE CHAMBER, WAS A BLEND OF THE DESIDERATA OF A DEVELOPING COUNTRY AND THE EXHORTATORY APPEAL "TO HAVE A HEART," THAT IS, TO CONTRIBUTE MORE TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE COUNTRY THAN JUST SIMPLY TO MAKE PROFITS. HE DISCUSSED BRIEFLY FIVE OF THE ISSUES RAISED BY THE UN STUDY ON TRANSNATIONALS WHICH HE BELIEVED WERE APPLICABLE TO THE PHILIPPINES -- OWNERSHIP, DOMESTIC CREDIT, TRANSFER OF TECHNOLOGY, RESTRICTIVE PRACTICES (BOI WILL NOT APPROVE ANY EXPORT PROHIBITIONS IN LICENSING AGREEMENTS), AND TRANSFER PRICING.

4. PATERNO ASKED THE MULTINATIONALS TO PAY GREATER ATTENTION LIMITED OFFICIAL USE

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TO THE NEED OF THE GOP FOR FOREIGN EXCHANGE. HE THEN PRAISED DEL MONTE FOR ITS COMMUNITY RELATIONS, SAYING HE GREATLY VALUED DEL MONTE TEACHING FARMERS TO FEED CATTLE AND GROW VEGETABLES ALONG WITH MAINTAINING ITS HIGH PRODUCTIVITY IN PINEAPPLES (WHICH IS AN IMPORTANT FOREIGN EXCHANGE EARNER).

5. PATERNO'S SPEECH IS WHAT THE AMCHAM MEMBERS HAVE COME TO EXPECT. THEY DO CONSIDER HIM A FRIEND, AND HIS CONCLUSION WAS REASSURING TO THEM (ABOUT 60) -- WHAT WE NEED IS NOT REGULATIONS GOVERNING THE MULTINATIONALS BUT A DIALOGUE BETWEEN THEM AND THE GOVERNMENT, BASED ON MUTUAL UNDERSTANDING, GOOD WILL, AND COOPERATION.
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